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STATE OF MONTANA

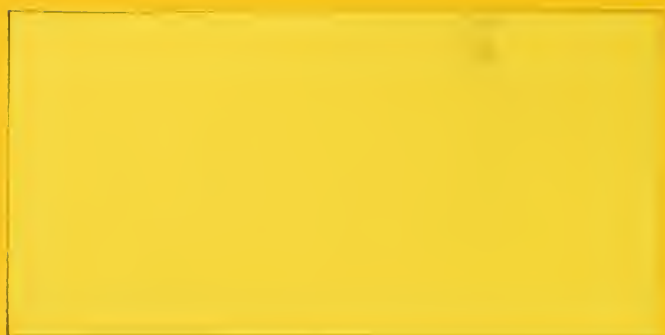
COMPREHENSIVE EMPLOYMENT AND TRAINING ACT  
SUBGRANT NUMBERS 76-56054, 76-56055, AND 76-56056

Report on Examination of Financial Statements  
For The Period July 1, 1975 to September 30, 1976

Conducted Under Contract By  
Ernst and Ernst, CPA's



OFFICE OF THE LEGISLATIVE AUDITOR  
STATE OF MONTANA  
STATE CAPITOL • HELENA





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STATE OF MONTANA

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT  
SUBGRANT NUMBERS 76-56054, 76-56055, AND 76-56056

Report on Examination of Financial Statements  
For The Period July 1, 1975 to September 30, 1976

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STATE OF MONTANA  
Office of the Legislative Auditor

STATE CAPITOL  
HELENA, MONTANA 59601  
406/449-3122



MORRIS L. BRUSETT  
LEGISLATIVE AUDITOR

October 13, 1977

DEPUTY LEGISLATIVE AUDITORS:  
JOSEPH J. CALNAN  
ADMINISTRATION AND  
PROGRAM AUDITS  
ELLEN FEAVER  
FINANCIAL-COMPLIANCE AND  
CONTRACTED AUDITS  
STAFF LEGAL COUNSEL  
JOHN W. NORTHEY

The Legislative Audit Committee  
of the Montana State Legislature:

Transmitted herewith are reports on the audit of the following  
Comprehensive Employment and Training Act subgrants:

76-56054 Awarded to the Human Rights Commission - Department  
of Labor

76-56055 Awarded to the Equal Employment Opportunity Bureau -  
Department of Administration

76-56056 Awarded to the Indian Coordinator - Department of  
Community Affairs

These audits were conducted by Ernst and Ernst, CPA's, under a  
contract between the firm and our office. The comments and recom-  
mendations contained in these reports represent the views of the firm  
and not necessarily the Legislative Auditor.

The agencies' responses to the report recommendations are included  
in the back of this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Morris L. Brusett".

Morris L. Brusett, CPA  
Legislative Auditor



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Summary of Recommendations

CETA Subgrant Number 76-56054  
Awarded to the Human Rights Commission

CETA Subgrant Number 76-56055  
Awarded to the Equal Employment Opportunity Bureau

CETA Subgrant Number 76-56056  
Awarded to the Indian Coordinator

Agency Replies:

Governor's Employment and Training Council

Human Rights Commission

SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agencies concur or do not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the reports and the audited agencies' replies thereto and also as a ready reference to the supporting comments. The full replies of the agencies are included in the back of this report.

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Subgrant Number 76-56054

That a charge be made each month for rent and telephone expenses.

9

Agency Reply: Concur. See pages 2 and 3.

Subgrant Number 76-56055

No specific recommendations were made, and no written response was solicited.

Subgrant Number 76-56056

No specific recommendations were made, and no written response was solicited.



AUDIT REPORT

CETA SUBGRANT NUMBER 76-56054 AWARDED TO  
HUMAN RIGHTS COMMISSION

HELENA, MONTANA

SUBGRANT PERIOD FROM JULY 1, 1975 TO SEPTEMBER 30, 1976



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# Ernst & Ernst

2700 Seattle-First National Bank Bldg • 1001 Fourth Ave • Seattle, WA 98154 • Phone 206/622-0610

February 16, 1977

To the Legislative Audit Committee  
of the Montana State Legislature:

We have examined the financial and related program records of the CETA Subgrant number 76-56054 awarded to the Human Rights Commission (Subgrantee) for the period July 1, 1975 to September 30, 1976, including transactions to the final close out at October 28, 1976.

Our examination was made in accordance with the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General of the United States, applicable to examinations of financial operations and reviews of compliance with applicable laws and regulations and the CETA financial audit guide issued by the U.S. Department of Labor. It included tests of the accounting and program records and such other auditing procedures as we considered necessary in the circumstances.

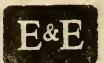
The subgrant agreement was for \$28,400.00 all of which was advanced to the subgrantee. Costs of the subgrantee totaled \$27,822.76 from which audit samples were drawn. Schedule D lists no questionable expenditures disclosed by our sample. Schedules A, B, and C have been prepared on the accrual basis of accounting.

In our opinion, these schedules present fairly the financial information contained therein which relates to the subgrant for the period July 1, 1975 to September 30, 1976, including transactions to the final close out at October 28, 1976.

We have also reviewed the areas of Compliance and Internal Control and the findings resulting from our review are presented in Schedule E.

This report is intended for use in connection with the subgrant to which it refers and should not be used for any other purpose.

*Ernst & Ernst*



HUMAN RIGHTS COMMISSION  
SUBGRANT NUMBER 76-56054

STATUS OF FEDERAL FUNDS  
SUBGRANT PERIOD FROM JULY 1, 1975 TO SEPTEMBER 30, 1976  
(INCLUDING TRANSACTIONS TO THE FINAL CLOSE OUT AT OCTOBER 28, 1976)

Cash on Hand - <u>July 1, 1975</u>	\$	-0-
<u>Increases</u>		
Federal Cash Received - Note 1	\$28,400.00	
Program Income	<u>-0-</u>	
Total Increases		<u>28,400.00</u>
Total Cash Available		28,400.00
<u>Decreases</u>		
Gross Disbursements	27,822.76	
Adjustments	<u>-0-</u>	
Total Decreases		<u>27,822.76</u>
<u>Cash on Hand - at final close out - Note 2</u>		<u>\$ 577.24</u>

Note 1 - Cash received includes a final close out payment of \$2,400.00 received subsequent to September 30, 1976.

Note 2 - Represents amount due sponsor.

SCHEDULE B

HUMAN RIGHTS COMMISSION  
STATEMENT OF ACCRUED EXPENDITURES  
SUBGRANT PERIOD FROM JULY 1, 1975 THROUGH SEPTEMBER 30, 1976

<u>Cost Category</u>	<u>Cumulative Budget</u>	<u>Cash Disbursements</u>	<u>Accruals</u>	<u>Accrued Expenditures</u>
Wages	\$20,430.00	\$19,224.46	\$ 876.00	\$20,100.46
Fringe Benefits	2,701.09	2,492.97	117.17	2,610.14
Supplies and Equipment	1,444.00	1,353.92	61.65	1,415.57
Communications	1,125.00	1,103.54	24.44	1,127.98
Travel	1,440.00	1,418.74	132.56	1,551.30
Rent	875.00	490.47	267.00	757.47
Other	385.00	162.00	97.84	259.84
Total	<u>\$28,400.00</u>	<u>\$26,246.10</u>	<u>\$1,576.66</u>	<u>\$27,822.76</u>

HUMAN RIGHTS COMMISSION  
ACCRUED EXPENDITURES BY PROGRAM ACTIVITY  
SUBGRANT PERIOD FROM JULY 1, 1975 THROUGH SEPTEMBER 30, 1976

<u>Cost Category</u>	<u>Affirmative Action Services</u>	<u>Total</u>
Wages	\$20,100.46	\$20,100.46
Fringe Benefits	2,610.14	2,610.14
Office Supplies and Equipment	1,415.57	1,415.57
Communications	1,127.98	1,127.98
Travel	1,551.30	1,551.30
Rent	757.47	757.47
Other	<u>259.84</u>	<u>259.84</u>
Total Actual to Date	<u>\$27,822.76</u>	<u>\$27,822.76</u>
Total Planned to Date	<u>\$28,400.00</u>	<u>\$28,400.00</u>

HUMAN RIGHTS COMMISSION  
SUMMARY SCHEDULE OF QUESTIONABLE EXPENDITURES  
FOR THE SUBGRANT PERIOD JULY 1, 1975 THROUGH SEPTEMBER 30, 1976

<u>Cost Category</u>	<u>Cumulative Budget</u>	<u>Accrued Expenditures</u>	<u>Amount Questioned</u>
Wages	\$20,430.00	\$20,100.46	
Fringe Benefits	2,701.00	2,610.14	
Office Supplies and Equipment	1,444.00	1,415.57	
Communications	1,125.00	1,127.98	
Travel	1,440.00	1,551.30	
Rent	875.00	757.47	
Other	385.00	259.84	
Total	<u>\$28,400.00</u>	<u>\$27,822.76</u>	No costs questioned, however, reference is made to Schedule E with respect to allocation of certain charges to the subgrant.



HUMAN RIGHTS COMMISSION  
SUBGRANT NUMBER 76-56054  
COMPLIANCE AND INTERNAL CONTROL

FOR THE SUBGRANT PERIOD JULY 1, 1975 THROUGH SEPTEMBER 30, 1976

A. Summary of Auditor's Observations and Recommendations

As part of our examination, we made a study of the system of internal accounting and administrative control to the extent we considered necessary to evaluate the system as required by the CETA Audit Guide.

The objective of internal accounting and administrative control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal and administrative accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal accounting and administrative control for the period July 1, 1975 to September 30, 1976 would not necessarily disclose all weaknesses in the system. In our opinion, the internal accounting and administrative control procedures are in general agreement with procedures prescribed by Federal Regulations and the Department of Labor CETA guidelines which have been determined to be adequate for accountability of assets and compliance with regulations except as noted below:

HUMAN RIGHTS COMMISSION  
SUBGRANT NUMBER 76-56054  
COMPLIANCE AND INTERNAL CONTROL (CONTINUED)

FOR THE SUBGRANT PERIOD JULY 1, 1975 THROUGH SEPTEMBER 30, 1976

Allocation of Charges

We noted that rental costs of \$714.97 and telephone costs of \$619.43 were not charged to the program based on an allocation plan. Instead, such charges were made to the program on an arbitrary basis, with the program absorbing the full cost of rent and telephone expense to the agency in some months and no charge to the program in other months.

While we have no reason to believe that the total of the foregoing charges may not be indicative of a fair distribution of costs to the program we nevertheless recommend that a charge be made each month for rent and telephone expenses. The program should absorb a rental charge based on the office space used by program personnel. The monthly telephone bill received by the agency should be allocated to the program based on the number of phones used for the monthly fixed fee plus the cost of variable charges which relate to the program.

CETA Close Out Final Expenditure Report

The CETA Close Out Final Expenditure Report was not properly prepared. Amounts listed under the heading "Cost Incurred Through September 30, 1976" were actually the accrued expenses as of September 30, 1976. Amounts listed as "Total Cash Drawn Through September 30, 1976" were actually total expenses, including accruals, through September 30, 1976.

B. Discussion of Audit Results

The foregoing comments were discussed with the administrator of the subgrant who concurs with our comments and recommendations.

This report is intended for use in connection with the subgrant to which it refers and should not be used for any other purpose.

AUDIT REPORT

CETA SUBGRANT NUMBER 76-56055 AWARDED TO  
EQUAL EMPLOYMENT OPPORTUNITY BUREAU - DEPARTMENT OF ADMINISTRATION

HELENA, MONTANA

SUBGRANT PERIOD FROM JULY 1, 1975 TO SEPTEMBER 30, 1976



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# Ernst & Ernst

2700 Seattle-First National Bank Bldg • 1001 Fourth Ave • Seattle, WA 98154 • Phone 206/622-0610

February 16, 1977

To the Legislative Audit Committee  
of the Montana State Legislature:

We have examined the financial and related program records of the CETA Subgrant number 76-56055 awarded to the Equal Employment Opportunity Bureau, Department of Administration (Subgrantee) for the period July 1, 1975 to September 30, 1976, including transactions to the final close out at January 21, 1977.

Our examination was made in accordance with the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General of the United States, applicable to examinations of financial operations and reviews of compliance with applicable laws and regulations and the CETA financial audit guide issued by the U.S. Department of Labor. It included tests of the accounting and program records and such other auditing procedures as we considered necessary in the circumstances.

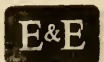
The subgrant agreement was for \$16,250.00 all of which was advanced to the subgrantee. Costs of the subgrantee totaled \$17,082.00 from which audit samples were drawn. Schedule D lists no questionable expenditures disclosed by our sample. Schedules A, B, and C have been prepared on the accrual basis of accounting.

In our opinion, these schedules present fairly the financial information contained therein which relates to the subgrant for the period July 1, 1975 to September 30, 1976, including transactions to the final close out at January 21, 1977.

We have also reviewed the areas of Compliance and Internal Control and the findings resulting from our review are presented in Schedule E.

This report is intended for use in connection with the subgrant to which it refers and should not be used for any other purpose.

*Ernst & Ernst*



EQUAL EMPLOYMENT OPPORTUNITY BUREAU -  
DEPARTMENT OF ADMINISTRATION  
SUBGRANT NUMBER 76-56055

STATUS OF FEDERAL FUNDS  
 SUBGRANT PERIOD FROM JULY 1, 1975 TO SEPTEMBER 30, 1976  
 (INCLUDING TRANSACTIONS TO THE FINAL CLOSE OUT AT JANUARY 21, 1977)

<u>Cash on Hand - July 1, 1975</u>	\$		-0-
<u>Increases</u>			
Federal Cash Received - Note 1		\$16,250.00	
Program Income		-0-	
Total Increases			<u>16,250.00</u>
Total Cash Available			16,250.00
<u>Decreases</u>			
Gross Disbursements		17,082.00	
Adjustments		-0-	
Total Decreases			<u>17,082.00</u>
<u>Cash on Hand - at final closeout (Excess of disbursements over receipts)</u>			<u>\$ (832.00)</u>

Note 1 - Cash received includes a final close out payment of \$236.97 received subsequent to September 30, 1976.

SCHEDULE B

EQUAL EMPLOYMENT OPPORTUNITY BUREAU -  
DEPARTMENT OF ADMINISTRATION  
STATEMENT OF ACCRUED EXPENDITURES

SUBGRANT PERIOD FROM JULY 1, 1975 THROUGH SEPTEMBER 30, 1976

<u>Cost Category</u>	<u>Cumulative Budget</u>	<u>Cash Disbursements</u>	<u>Accruals</u>	<u>Accrued Expenditures</u>
Wages	\$14,602.00	\$15,138.00	\$ -0-	\$15,138.00
Fringe Benefits	<u>1,648.00</u>	<u>1,944.00</u>	<u>-0-</u>	<u>1,944.00</u>
Total	<u>\$16,250.00</u>	<u>\$17,082.00</u>	<u>\$ -0-</u>	<u>\$17,082.00</u>



EQUAL EMPLOYMENT OPPORTUNITY BUREAU -  
DEPARTMENT OF ADMINISTRATION  
ACCRUED EXPENDITURES BY PROGRAM ACTIVITY

SUBGRANT PERIOD FROM JULY 1, 1975 THROUGH SEPTEMBER 30, 1976

<u>Cost Category</u>	<u>EEO</u> <u>Services</u>	<u>Total</u>
Wages	\$15,138.00	\$15,138.00
Fringe Benefits	<u>1,944.00</u>	<u>1,944.00</u>
Total Actual to Date	<u>\$17,082.00</u>	<u>\$17,082.00</u>
Total Planned to Date	<u>\$16,250.00</u>	<u>\$16,250.00</u>

SCHEDULE D

EQUAL EMPLOYMENT OPPORTUNITY BUREAU -  
DEPARTMENT OF ADMINISTRATION  
SUMMARY SCHEDULE OF QUESTIONABLE EXPENDITURES  
FOR THE SUBGRANT PERIOD JULY 1, 1975 THROUGH SEPTEMBER 30, 1976

<u>Cost Category</u>	<u>Cumulative Budget</u>	<u>Accrued Expenditures</u>	<u>Amount Questioned</u>
Wages	\$14,602.00	\$15,138.00	
Fringe Benefits	<u>1,648.00</u>	<u>1,944.00</u>	No costs questioned
Total	<u>\$16,250.00</u>	<u>\$17,082.00</u>	

EQUAL EMPLOYMENT OPPORTUNITY BUREAU,  
DEPARTMENT OF ADMINISTRATION  
SUBGRANT NUMBER 76-56055  
COMPLIANCE AND INTERNAL CONTROL

FOR THE SUBGRANT PERIOD JULY 1, 1975 THROUGH SEPTEMBER 30, 1976

A. Summary of Auditor's Observations and Recommendations

As part of our examination, we made a study of the system of internal accounting and administrative control to the extent we considered necessary to evaluate the system as required by the CETA Audit Guide.

The objective of internal accounting and administrative control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal and administrative accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal accounting and administrative control for the period July 1, 1975 to September 30, 1976 would not necessarily disclose all weaknesses in the system. In our opinion, the internal accounting and administrative control procedures are in general agreement with procedures prescribed by Federal Regulations and the Department of Labor CETA guidelines which have been determined to be adequate for accountability of assets and compliance with regulations.

EQUAL EMPLOYMENT OPPORTUNITY BUREAU,  
DEPARTMENT OF ADMINISTRATION  
SUBGRANT NUMBER 76-56055  
COMPLIANCE AND INTERNAL CONTROL (CONTINUED)  
FOR THE SUBGRANT PERIOD JULY 1, 1975 THROUGH SEPTEMBER 30, 1976

B. Discussion of Audit Results

The results of the audit were discussed with the administrator of the subgrant.

This report is intended for use in connection with the subgrant to which it refers and should not be used for any other purpose.

AUDIT REPORT

CETA SUBGRANT NUMBER 76-56056 AWARDED TO  
INDIAN COORDINATOR - DEPARTMENT OF COMMUNITY AFFAIRS

HELENA, MONTANA

SUBGRANT PERIOD FROM JULY 1, 1975 TO SEPTEMBER 30, 1976



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# Ernst & Ernst

2700 Seattle-First National Bank Bldg • 1001 Fourth Ave • Seattle, WA 98154 • Phone 206/422-0610

February 16, 1977

To the Legislative Audit Committee  
of the Montana State Legislature:

We have examined the financial and related program records of the CETA Subgrant number 76-56056 awarded to the Indian Coordinator - Department of Community Affairs (Subgrantee) for the period July 1, 1975 to September 30, 1976, including transactions to the final close out at January 21, 1977.

Our examination was made in accordance with the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General of the United States, applicable to examinations of financial operations and reviews of compliance with applicable laws and regulations and the CETA financial audit guide issued by the U.S. Department of Labor. It included tests of the accounting and program records and such other auditing procedures as we considered necessary in the circumstances.

The subgrant agreement was for \$7,722.00 of which \$6,132.49 was advanced to the subgrantee. Costs of the subgrantee totaled \$6,132.49 from which audit samples were drawn. Schedule D lists no questionable expenditures disclosed by our sample. Schedules A, B, and C have been prepared on the accrual basis of accounting.

In our opinion, these schedules present fairly the financial information contained therein which relates to the subgrant for the period July 1, 1975 to September 30, 1976, including transactions to the final close out at January 21, 1977.

We have also reviewed the areas of Compliance and Internal Control and the findings resulting from our review are presented in Schedule E.

This report is intended for use in connection with the subgrant to which it refers and should not be used for any other purpose.

*Ernst & Ernst*





INDIAN COORDINATOR - DEPARTMENT OF COMMUNITY AFFAIRS  
SUBGRANT NUMBER 76-56056

STATUS OF FEDERAL FUNDS  
 SUBGRANT PERIOD FROM JULY 1, 1975 TO SEPTEMBER 30, 1976  
 (INCLUDING TRANSACTIONS TO THE FINAL CLOSE OUT AT JANUARY 21, 1977)

<u>Cash on Hand - July 1, 1975</u>		\$	-0-
<u>Increases</u>			
Federal Cash Received - Note 1 Program Income	\$6,132.49		
	-0-		
Total Increases			<u>6,132.49</u>
Total Cash Available			6,132.49
<u>Decreases</u>			
Gross Disbursements Adjustments	6,132.49		
	-0-		
Total Decreases			<u>6,132.49</u>
<u>Cash on Hand - at final close out</u>			<u>\$ -0-</u>

Note 1 - Cash received includes a final close out payment of \$100.58 received subsequent to September 30, 1976.

SCHEDULE B

INDIAN COORDINATOR - DEPARTMENT OF COMMUNITY AFFAIRS  
STATEMENT OF ACCRUED EXPENDITURES  
SUBGRANT PERIOD FROM JULY 1, 1975 THROUGH SEPTEMBER 30, 1976

<u>Cost Category</u>	<u>Cumulative Budget</u>	<u>Cash Disbursements</u>	<u>Accruals</u>	<u>Accrued Expenditures</u>
Wages	\$5,820.00	\$4,474.29	\$-0-	\$4,474.29
Fringe Benefits	740.00	587.77	-0-	587.77
Contracted Services	131.00	218.75	-0-	218.75
Supplies and Materials	150.00	147.96	-0-	147.96
Communications	225.00	149.57	-0-	147.96
Travel	<u>656.00</u>	<u>556.15</u>	<u>-0-</u>	<u>556.15</u>
Total	<u>\$7,722.00</u>	<u>\$6,134.49</u>	<u>\$-0-</u>	<u>\$6,134.49</u>

Note 1

Note 1 - Actual costs exceeded the total costs reported on the final close out report by \$2.00 due to a clerical error.

INDIAN COORDINATOR - DEPARTMENT OF COMMUNITY AFFAIRS  
ACCRUED EXPENDITURES BY PROGRAM ACTIVITY  
SUBGRANT PERIOD FROM JULY 1, 1975 THROUGH SEPTEMBER 30, 1976

<u>Cost Category</u>	<u>EEO Services</u>	<u>Total</u>
Wages	\$4,474.29	\$4,474.29
Fringe Benefits	587.77	587.77
Contracted Services	218.75	218.75
Supplies and Materials	147.96	147.96
Communications	149.57	149.57
Travel	<u>556.15</u>	<u>556.15</u>
Total Actual to Date	<u>\$6,134.49</u>	<u>\$6,134.49</u>
Total Planned to Date	<u>\$7,722.00</u>	<u>\$7,722.00</u>

INDIAN COORDINATOR - DEPARTMENT OF COMMUNITY AFFAIRS  
SUMMARY SCHEDULE OF QUESTIONABLE EXPENDITURES  
FOR THE SUBGRANT PERIOD JULY 1, 1975 THROUGH SEPTEMBER 30, 1976

<u>Cost Category</u>	<u>Cumulative Budget</u>	<u>Accrued Expenditures</u>	<u>Amount Questioned</u>
Wages	\$5,820.00	\$4,474.29	
Fringe Benefits	740.00	587.77	
Contracted Services	131.00	218.75	
Supplies and Materials	150.00	147.96	No costs questioned
Communications	225.00	149.57	
Travel	<u>656.00</u>	<u>556.15</u>	
Total	<u>\$7,722.00</u>	<u>\$6,134.49</u>	

INDIAN COORDINATOR - DEPARTMENT OF COMMUNITY AFFAIRS  
SUBGRANT NUMBER 76-56056  
COMPLIANCE AND INTERNAL CONTROL  
FOR THE PERIOD JULY 1, 1975 THROUGH SEPTEMBER 30, 1976

A. Summary of Auditor's Observations and Recommendations

As part of our examination, we made a study of the system of internal accounting and administrative control to the extent we considered necessary to evaluate the system as required by the CETA Audit Guide.

The objective of internal accounting and administrative control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal and administrative accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal accounting and administrative control for the period July 1, 1975 to September 30, 1976 would not necessarily disclose all weaknesses in the system. In our opinion, the internal accounting and administrative control procedures are in general agreement with procedures prescribed by Federal Regulations and the Department of Labor CETA guidelines which have been determined to be adequate for accountability of assets and compliance with regulations.

B. Discussion of Audit Results

The results of the audit were discussed with the Coordinator of Indian Affairs.

This report is intended for use in connection with the subgrant to which it refers and should not be used for any other purpose.



AGENCY REPLIES





State of Montana  
Office of The Governor  
Helena 59601

THOMAS L. JUDGE  
GOVERNOR

GOVERNOR'S EMPLOYMENT  
& TRAINING COUNCIL

October 12, 1977

Legislative Audit Committee  
Montana State Legislature  
Office of Legislative Auditor  
State Capitol  
Helena, Montana 59601

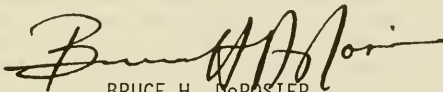
Gentlemen:

Enclosed are the audit drafts for CETA Fiscal Year 1976 subgrant 76-56054, 76-56055 and 76-56056.

We find the response from the Montana Human Rights Commission for subgrant 76-56054 acceptable.

No written responses were required from the Equal Employment Opportunity Bureau for subgrant 76-56055 or from the Indian Coordinator for subgrant 76-56056, as there were no questionable costs nor exceptions noted.

Sincerely,



BRUCE H. DeROSIER  
Executive Director

Enclosure



MONTANA  
HUMAN  
RIGHTS  
COMMISSION



POWER B. C. 175 (1974)

July 28, 1977

TO: Legislative Audit Committee

VIA: Mr. Bruce DeRosier, Executive Director  
Governor's Employment and Training Counsel

FROM: Raymond D. Brown, Administrator *RB*  
Human Rights Division

SUBJECT: Audit Report

I have read the audit report for CETA subgrant No. 76-56054, Human Rights Commission and the following are the Division's response to the exceptions listed.

General Comment

In March 1977, Ms. Rae Haas, CPA, was employed by the Commissioner of Labor and Industry to provide technical assistance and administrative supervision of the accounting functions for the group of Labor and Industry Divisions identified on SBAS as Agency 6601 -- Labor Standards Division.

Ms. Haas found that accounting procedures were inadequate and often inaccurate. There were numerous coding errors, incorrect entries, hand-kept records which were never reconciled with the statewide computerized system and lack of meaningful monitoring of accounting reports. As the various programs were reviewed and corrections made in the system Ms. Haas revised procedures and submitted corrected reports to other agencies.

Allocation of Charges

We agree that charges for rent and telephone costs were arbitrarily determined. The amounts used were those agreed upon in the budgeting setting process. Although a cost allocation plan is indicated in the regulations and may even have been suggested by the GETC staff, no one involved in the Division accounting at that time had the technical expertise to establish a plan. Although it is rather late, Ms. Haas will attempt to develop and implement a plan for FY 1978, and will assure implementation for the FY 1979 subgrant.

CETA Close Out Report

The original CETA Close Out Final Expenditure Report for subgrant 76-56054 had been based entirely on hand-kept

ledgers. As Ms. Haas began to reconcile the reports with the statewide system, she found two invoices listed twice, and other charges not reported in the proper period. A corrected report was prepared and submitted in March, and an additional \$220.40 was requested, and received, to balance the cash. Apparently the audit was also based on the hand-posted records instead of SBAS and did not disclose the discrepancy. All CETA accounting is now recorded on the statewide system and a cash ledger has been established. The expenditures and cash are reconciled monthly and future reports should be prepared accurately and on a timely basis.





